

GOVERNMENT OF TELANGANA
ABSTRACT

Municipal Administration and Urban Development Department – 14th Finance Commission – Continuation of Double Entry Accrual Based Accounting System (DEABAS) – in the newly constituted Nagar Panchayats / Municipalities Phase.III – Approved – Orders – Issued.

MUNICIPAL ADMINISTRATION & URBAN DEVELOPMENT (UBS) DEPARTMENT

G.O. Rt No.418

Date: 13.10.2015

Read the following:

1. G.O. Rt.No. 287, M.A.&U.D Department Dt. 21.02.2011
2. G.O. Ms.No. 270, M.A.&U.D (R) Department Dt. 15.07.2011
3. G.O. Rt.No. 1083, M.A.&U.D (UBS) Department Dt. 13.08.2012
4. From CDMA Lr.No. 001/13th FC/PS/MAARC/C&DMA/2014 Dt.23.05.2015
5. Govt.Memo No.6740/UBS/2015, dated 31/07.2015.
6. From CDMA Lr.No. 18127/2015/B2, Dated.11.08.2015.

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ORDER:

The XIII Finance Commission has stipulated 9 conditions to be fulfilled by State Government, one of which (condition No.1.b.), is that Urban Local Bodies shall maintain accounts in Accrual Based Accounting System, consistent with the accounting format and codification pattern suggested in the National Municipal Accounts manual.

2. As part of the above initiative, the Government have issued orders in G.O.Ms.No.233, MA & UD Department, dated 22.05.2002, with instructions to all the Urban Local Bodies/Corporations to adopt, the Accrual Based Accounting System within their jurisdiction with immediate effect. Further in G.O.Ms.No.619, MA& UD Department, dated 21.08.2007, the Government, have directed that all the ULBs in the State to implement the A.P. Municipal Accounting Manuals (Double Entry Accrual Based Accounting System) which has been adopted by the State Government, from NMAM, with the help of Centre for Good Governance (CGG) and as a part of its implementation two phases of project have been takenup and completed.

3. The Commissioner and Director of Municipal Administration, Telangana vide reference 6th read above, has informed that 27 new ULBs have been constituted in Telangana State and these ULBs have not yet migrated to DEABAS system since the capacities, Staffing Strength or exposure to the reform are not on par with Old ULBs who have successfully implemented the reform. He has also reported that submission of Audited Annual accounts for the year 2014-15 is one of the conditions stipulated by 14th Finance Commission for accessing performance grants and therefore these ULBs are required to prepare their Annual Accounts in Double Entry Accrual Based Accounting System only.

4. The Commissioner and Director of Municipal Administration has therefore requested to continue the reform of Double Entry Accrual Based Accounting System in the newly created 27 ULBs for the year 2014-15 as phase.III to make them eligible for accessing Performance Grants as per the timelines stipulated by 14th Finance Commission. He has also requested to accord permission to utilise an amount of Rs.3.85 crores from the 14th Finance Commission Grants for implementation of Double Entry Accrual Based Accounting System in the 27 newly constituted ULBs. The C&DMA has submitted detailed strategy document for implementation of the reform in the newly constituted ULBs and also reconstitution of MAARC and MAACC committees along with financial implications and sought approval of the Government.

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5. The Government after careful examination of the proposal hereby approve the strategy document for implementation of Double Entry Accrual Based Accounting System annexed to this order. The Government also accord permission to C&DMA to utilise an amount of Rs.3.85 crores from the 14th Finance Commission Grants for implementation of Double Entry Accrual Based Accounting System in the 27 newly constituted Urban Local Bodies in Telangana State to make them eligible for performance grants.

6. The Commissioner and Director of Municipal Administration, Telangana, Hyderabad shall take further necessary action in the matter.

7. This order issues with the concurrence of Finance (EBS.VIII) Department vide their U.O.No.10497/319/15/EBS.VIII, dated 03.10.2015.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF TELANGANA)

M.G.GOPAL
PRINCIPAL SECRETARY TO GOVERNMENT

To

The Commissioner and Director of Municipal Administration, Hyderabad.

The Project Director, TMDP, Telangana, Hyderabad.

The Director of State Audit, Telangana, Hyderabad.

The Director General, CGG, Road No.25, Jubilee Hills, Hyderabad.

Copy to:

The P.S. to Principal Secretary to Government, MA & UD Department.

//FORWARDED BY ORDER//

ASSISTANT DIRECTOR

**STRATEGY FOR IMPLEMENTATION OF DOUBLE ENTRY ACCRUAL BASED
ACCOUNTING SYSTEM IN NEW ULBS (PHASE-III).**

**Reconstitution of MAARC and MAACC cell during XIV Finance Commission
(2015-2020):**

1. **Municipal Accounts & Audit Reforms Cell (MAARC)** shall be created and function in the O/o CDMA, Telangana Hyderabad , with the following Expertise and Support staff: (a) Two Senior Auditors/ Technicians (b) Two Data Entry Operators and (c) One Project Associate (d) One Supervising Officer in the cadre of Audit officer/Asst Audit officer. The expertise services shall be provided by the Director State Audit. Data Entry Operators, Project Associate shall be recruited by the C&DMA, Hyderabad.

The required Funds for expertise and support services, provided by the Director State Audit, shall be paid on quarterly basis by the CDMA, Telangana from the XIII/XIV FC & TUFIDC funds pooled up/allocated for implementation of DEABAS as per the following costing pattern.

1) Supervising Officer	:	30,000/- PM
2) Senior Auditor/Technician:		25,000/- PM
3) Project Associate	:	25,000/- PM
4) Data Entry operator	:	9,700/- PM

2. **The Scope and Nature of Work of the MAARC Cell shall be as follows:**

1. Audit the Accounting Deliverables submitted by the RCA Firms under the Telangana Municipal Accounting Reform Project, and recommend necessary project releases, to the RCA Firms under the Project Agreements, for the Accounting Work Delivered by them.
2. Monitoring and Evaluation of the Accounting Reform in Telangana, during the XIV FC Period, (F.Y.2015-19).
3. Co-ordination of Training and Capacity Building (Accounting and Auditing) and other institutional arrangements for ensuring the taking up of a full scale audit of the Accounts of the ULBs, prepared under the new system.
4. Reports to the Government, and suggesting mechanisms to ensure the continuity of the Accounting Reform, which shall include, aspects, such as BPR of Accounting and Auditing, Electronic payments in the ULBs etc.
5. The Cell shall function under the direct control and supervision of the RDMA (Hyd)/Joint Director, (XIII /XIVFC), O/o CDMA, Hyderabad(Day to Day Operational Activities) and Deputy Director of State Audit. (Overall Accounting & Audit Aspects)

3 **Municipal Accounts and Audit Coordination Committee (MAACC)** shall be constituted under the Chairmanship of the Commissioner & Director of Municipal Administration, Telangana State with the following Members

1	Director of State Audit, Telangana	...	Member
2	Sr. Audit Officer, LBAA, O/o A.G., A.P., Hyd.	...	Member
3	Addl. Director, O/o C&DMA	...	Member
4	Regional Director, Mpl. Admn. Hyderabad	...	Member
5	Domain Expert, from CGG, Hyd	...	Member
6	Joint Director, (XIII/XIV FC), O/o CDMA	...	Member & Convenor
7	Deputy Director/Audit Officer	...	Member
8	One Municipal Commissioner, Chair person/Mayor Of the ULBs as member on turn basis nominated by Chair Person, MAACC	...	Member
9	One RCA firm/Member of RCA Firm	...	Member
10	Any other Official/ Institution nominated by the Chairman from time to time	Member

- 3.1. The MAARC & MAACC shall, be in place during the XIV Finance Commission period (2015-2020)

4. Continuation of the reform (Phase-III)

1. The following 3 Regional Chartered Accountant Firms (RCA) who have successfully implemented the reform in Phase-II, shall undertake the compilation of Accounts in the Double entry Accrual Based Accounting System (DEABAS) in the 27 newly constituted ULBs in Telangana State.
 - a) M/s B. Srinivasa Rao & Co.,
 - b) M/s Eswaraiah & Co.,
 - c) M/s Pary & Co.
2. The identified existing RCA firms shall prepare Final Opening Balance Sheet as on 01-04-2014 and Financial Statements (Annual Account) for the year 2014-15 of newly constituted ULBs in DEABAS which shall be scrutinised by MAARC cell and submit to State Audit Department for Audit. The project duration shall be 6 months from the date of concluding agreement.
3. In case of older ULBs, the ULBs with active participation of the newly recruited accounting staff, shall implement the reform on their own for FY.2013-14 and 2014-15 using CGG's web based Accrual Based Accounting Software.
4. The Total cost of the Technical Consultancy Costs to the RCA Firms shall be Rs.82.35 Lakhs i.e. the cost for each ULB is Rs 3.05 lakhs as fixed in the Phase- I during 2011.
5. A Separate TOR shall be finalised by the C&DMA, Hyderabad for timelines and deliverables to monitor the functioning of RCA firms at the time of entering the agreement.
6. The Municipal Accounts and Audit Coordination Committee (MAACC) and Municipal Accounts and Audit reforms Cell (MAARC) shall continue to be steering body and nodal cell for all accounting and audit reforms during phase III.

5. Manpower requirement (Phase –III):

1. In case of **older ULBs** there is **no manpower requirement** as the newly recruited Accounting personnel shall implement the online reform for F.Y.2013-14 and 2014-15 Accounts and their Audit.
2. In case of older ULBs where the Accountant Posts are not filled up, Accounting personnel shall be deputed from other ULBs on working arrangement basis by teh C&DMA, Hyderabad.
3. At the Head-quarter Level, the MAARC Cell shall be the nodal agency to assist MAACC under the reforms and related works.

5. Software requirement and costs:

- 1 The Accrual Based Accounting Software developed by CGG and deployed in all the ULBs shall be continued for Phase-III and also for F.Y.2014-15. For such continuation the existing cost of Rs.17.00 lakhs per annum shall be the basis for conclusion of agreements between the C&DMA and CGG. In addition, the real time DEABAS module developed by CGG shall also be piloted in select older ULBs and gradually all ULBs will be linked up to the add-on real time module.
2. **Legislative Framework for real Time Accounting In ULBs:** In the meantime, the C&DMA, Hyderabad shall submit proposal for Real Time Accounting System in all the ULBs as well as proposal for legislative framework in this regard, for issue of necessary orders. Piloting the system in selected older ULBs may be immediately initiated for study and reform learning's.
3. **Training Needs:** Training to Municipal Functionaries in all the ULBs (older as well as newly constituted) may be carried out throughout the Project Period.

4. **Total Project Costs for One year :**

S.No	Item	Costs
1.	Technical Consultancy Costs (RCA Firms costs)	(For 6 Months only) 82.56 lakhs
2.	Software Costs (CGG)	(for one year) 17.00 lakhs
3.	MAARC Cell salaries to be paid to Director State Audit @ Rs.4.10 lakhs per quarter with 10% escalation (1 SO+ 2 SA/Technical Assistant +1 Project Associate + 2 DEOs)	(for one year) 16.42 lakhs
4.	Capacity Building Expenditure at Head quarters (TA&DA etc), field visits , workshops and Training Needs etc	(for one year) 27.00 lakhs
	TOTAL for 1 st year	142.98 Lakhs
5	From 2 nd year to 5 th Year (excluding expenditure at SI No. 1)	241.68 lakhs
	GRAND TOTAL	384.66 akhs

5. **Sources of funding:** The above amount shall be met from 13th/14th Finance Commission grants available with the C&DMA, Hyderabad

M.G.GOPAL
PRINCIPAL SECRETARY TO GOVERNMENT